

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 FEA-02 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04

USIA-15 PRS-01 DRC-01 /170 W
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FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 4397

LIMITED OFFICIAL USE GUATEMALA 5164

E.O. 11652: N/A

TAGS: ENRG, GT

SUBJECT: PETROLEUM PROBLEM REEMERGENCE

1. ARTICLE IN SEPTEMBER 18 EDITION LA NACION RELATED THAT GOG CONSIDERING PURCHASING GUATCAL (CHEVRON/SHELL) REFINERY IN PUERTO BARRIOS. ARTICLE STATED THAT GUATCAL OFFICIALS APPROACHED GOVERNMENT REQUESTING OPERATING SUBSIDY BUT WHILE CURRENT FINANCIAL CLIMATE NOT AT ALL CONDUCIVE TO SUBSIDY GOVERNMENT PURCHASE OF REFINERY WAS A POSSIBILITY BEING CONSIDERED.

2. LOCAL CHEVRON MANAGER TOLD EMBOFF THAT COMPANY HAD FORMALLY APPROACHED GOG ABOUT ONE MONTH AGO. MANAGER EXPLAINED THAT RISING CRUDE PRICES AND FROZEN RETAIL PRICES ARE SEVERELY SQUEEZING HIS MARGINS. HE CLAIMED LOSSES OF \$150,000 PER MONTH ON REFINERY DUE TO HIGHER TRANSPORT COSTS AND LESS EFFICIENT OPERATION LEVEL.

3. MANAGER CLAIMED HE WAS DIRECTED BY HOME OFFICE TO GO TO GOG. HE ASKED TEXACO'S MANAGEMENT IF THEY DESIRED TO MAKE JOINT PRESENTATION BUT TEXACO DECLINED. THEREFORE, IN MEMO TO LIMITED OFFICIAL USE

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MINECON PALOMO GUATCAL OUTLINED FOLLOWING FIVE ACTIONS WHICH

IT VIEWS AS FEASIBLE ALTERNATIVES TO GUATCAL'S PROBLEMS.

1.) CLOSE THE REFINERY AND COMPANY WILL IMPORT FINISHED PRODUCTS ASSUMING PRODUCTS CAN ENTER DUTY FREE.

2.) GOVERNMENT BUYS RECONSTITUTED CRUDE AND COMPANY WILL PROCESS IT FOR A FEE.

3.) GOVERNMENT ALLOWS BOTH REFINERIES TO RAISE PRICES 5.8 CENTS PER GALLON ON ALL PRODUCTS AND THEN EQUILIBRATES RETURN TO BOTH REFINERIES BY TAXING BACK EVERYTHING OVER A 15 PERCENT RETURN ON INVESTED CAPITAL. COMPANY SUGGESTED GOG THEN COULD USE TAX PROCEEDS TO CREATE FUND FOR PURCHASE OF BASIC GRAINS.

4.) GOVERNMENT ALLOWS BOTH REFINERIES TO RAISE PRICES BY 2.9 CENTS PER GALLON AND EQUILIBRATES REFINERY RETURN BY TAXING AWAY TEXACO'S 2.9 CENTS AND GIVING IT TO GUATCAL. THIS, OF COURSE, WOULD CONSTITUTE THE SUBSIDY.

5.) GOVERNMENT ALLOWS ONLY GUATCAL TO RAISE PRICES TO A BREAK EVEN POINT, 5.8 CENTS PER GALLON, AND LETS PUBLIC BUY ALL OF TEXACO'S PRODUCTION FIRST AND THEN TURN TO CHEVRON/SHELL. COMPANY INDICATED THAT IT FELT THAT ANY OF THE THREE LATTER ALTERNATIVES WERE MORE WORKABLE THAN THE FIRST TWO BUT THAT GUATCAL COULD ACCEPT ANY OF THE FIVE.

4. NEWSPAPER ARTICLE ABOUT PURCHASING POSSIBILITY A SURPRISE TO MANAGER AND HE HAS YET TO HEAR ANYTHING OFFICIAL FROM THE GOG. THE REEMERGENCE OF PETROLEUM PROBLEMS WILL AGAIN FORCE GOG TO FACE SOME HARD POLICY DECISIONS IN THEIR QUEST TO SOMEHOW COPE WITH THE DIFFICULT WORLD ENERGY SITUATION.
DECONTROL AFTER 9/20/76
ANDREWS

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